Strategies for Improving Contractor Safety Management
Publisher

The National Association for environmental, health, safety and sustainability (EHS&S) Management (NAEM) empowers corporate leaders to advance environmental stewardship, create safe and healthy workplaces and promote global sustainability. As the leading business community for EHS&S decision-makers, we provide engaging forums, a curated network, peer benchmarking, research insights and tools for solving today’s corporate EHS&S management challenges. Visit us online at naem.org.
For companies that aspire to EHS excellence, safety is a core value that affects every aspect of their culture and internal operations. This commitment naturally extends to those who conduct work on the company’s behalf, from full-time contractors to those who pass through their facilities to make deliveries.

With this goal in mind, how do companies ensure that those who work for them share their commitment to safety and behave accordingly?

This report summarizes insights from an EHS practitioner dialogue about the programs corporate leaders are using to manage contractor safety day-to-day. It is neither a benchmark of best practices, nor a reflection of the corporate community as a whole, but rather a synopsis of common challenges and how companies are evolving to address these issues, with some fresh ideas from those with advanced contractor safety management programs.

Research Overview

In May 2019, NAEM conducted an interactive benchmarking discussion at its EHS Operational Excellence Conference to explore common challenges and best practices for managing contractor safety. The discussion included a live poll as well as best practice examples presented by Genentech, which has an advanced program to address contractor safety risks.

Respondents

A total of 43 in-house EHS&S leaders from across industries contributed to the survey; consultants and service providers were excluded, but actively participated in the on-site discussion.

Respondents represented companies of various sizes: 43% have fewer than 5,000 employees; 29% have 5,000-20,000 employees; 0 respondents have 20,000-40,000 employees; 19% have 40,000-120,000 employees and 10% have more than 120,000 employees.

Most respondents indicated that their companies are in the beginning stages of developing their contractor safety management programs, with aspirations of continuous improvement over the next two to three years. This self-assessment was based on a maturity model (Figure 2) provided by Veriforce, a supply chain risk management and compliance software and service provider.
Program Maturity Among Responding Companies

While 24% of responding companies currently have an ad hoc or developing program, 76% of responding companies aspire to move towards an advanced or strategic contractor safety program within the next 2-3 years.

<table>
<thead>
<tr>
<th>CURRENT</th>
<th>ASPIRATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>16% Ad Hoc Basis</td>
<td>0% Ad Hoc Basis</td>
</tr>
<tr>
<td>8% Developing Program</td>
<td>2% Developing Program</td>
</tr>
<tr>
<td>61% Basic Program</td>
<td>21% Basic Program</td>
</tr>
<tr>
<td>16% Advanced Program</td>
<td>60% Advanced Program</td>
</tr>
<tr>
<td>0% Strategic Program</td>
<td>16% Strategic Program</td>
</tr>
</tbody>
</table>

N=38 N=43

Source: NAEM's Contractor Safety Survey

Insofar as contractor safety management challenges tend to be shared across sectors, NAEM did not ask respondents to indicate their industry. The following is the list of companies reflected in the survey results:

Air Liquide Advanced Materials
Alcoa Corp.
Allergan Inc.
American Box & Recycling Co.

Amphenol Corp.
Amvac Chemical Corp.
ARYZTA
ATI
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Managing contractor safety requires a commitment to continuous improvement

In the early stages of developing a contractor safety program, companies are unlikely to have a dedicated resource to oversee the program, or a set of consistent practices to evaluate contractor safety, according to Marcus Pettus, Safety and Supply Chain Product Manager at Veriforce.

The point at which this often starts to change, he said, is when there are specific contractor incidents that expose the risks the company may not be fully managing. For others, the primary driver is a regulatory requirement, as was the case for one audience member:

“We’re [in an industry with] a lot of regulation, and we’re responsible for those contractors. So, we’re held accountable for their performance... We need to manage them so we keep our numbers where they’re at, because we have strong performance and safety and we want to keep it that way. So we have to make sure that we monitor what they do.”
As these risks come into sharper focus in the “developing” stage, companies start to put guidelines in place to manage contractor vetting and start to assign dedicated resources. The real commitment begins when companies reach the basic program stage, when Mr. Pettus said contractor safety becomes a significant part of someone’s role. It’s at this point that the program likely has clear and consistent criteria for prequalifying contractors and a centralized place to house all contractor safety data.

At the later stages of maturity, companies start to broaden their focus beyond prequalification alone, Mr. Pettus said. This is the point when continuous monitoring of contractor safety performance begins and top management buy-in becomes more important for integration across business functions. There is also a stronger emphasis on evaluating contractors based on other areas of enterprise risk management (e.g., appropriate insurance coverage) as well as continuously monitoring contractors’ safety performance trends.

### Business Drivers for Program Investment

- Safety incident or injury rates
- Regulatory requirements
- Benchmarking best practices
- ESG reporting/stakeholder expectations
- Enterprise risk management
Summary of Insights

For context, the following chart outlines the different stages of contractor safety program maturity, based on Veriforce’s work with corporate clients over the past decade. The chart demonstrates that mature programs are strategic and integrated into business management processes beyond EHS.

**Figure 2:**

### Veriforce's Program Maturity Model for Contractor Safety Management

<table>
<thead>
<tr>
<th></th>
<th>Ad Hoc</th>
<th>Developing Program</th>
<th>Basic Program</th>
<th>Advanced Program</th>
<th>Strategic Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources</td>
<td>Inconsistent</td>
<td>Small part of someone’s job</td>
<td>Significant part of someone’s job</td>
<td>Dedicated resource plus field support</td>
<td>Program buy-in at all levels</td>
</tr>
<tr>
<td>Prequalification</td>
<td></td>
<td>Starting to define criteria</td>
<td>Focus on consistent criteria</td>
<td>Risk-based criteria in place</td>
<td>Risk-based with defined exception processes</td>
</tr>
<tr>
<td>Use of a 3rd-Party Provider</td>
<td></td>
<td></td>
<td>For data review</td>
<td>For data review &amp; audits</td>
<td>For data review &amp; audits</td>
</tr>
<tr>
<td>Data Management</td>
<td>Emails/local files</td>
<td>Limited data capture</td>
<td>Centralized data repository; standardized data capture &amp; review</td>
<td>Contractor management system in place</td>
<td>Contractor management system with mobile tools</td>
</tr>
<tr>
<td>Historical Data</td>
<td></td>
<td>Limited</td>
<td>1 year+</td>
<td>3 years</td>
<td>3+ years</td>
</tr>
<tr>
<td>KPIs</td>
<td></td>
<td></td>
<td>Basic</td>
<td>Advanced</td>
<td>Integrated</td>
</tr>
<tr>
<td>Risk Assessment</td>
<td></td>
<td></td>
<td></td>
<td>Comprehensive view of safety/risk</td>
<td>Comprehensive view of safety/risk</td>
</tr>
<tr>
<td>Program Effectiveness Review</td>
<td></td>
<td></td>
<td></td>
<td>Reviewed annually</td>
<td>Continually enhanced</td>
</tr>
</tbody>
</table>

Source: Veriforce
Strategies for Improving Contractor Safety Management

Among respondents, it’s common to use a third-party to conduct the upfront screening, with a particular emphasis on the contractor’s total injury rates and safety policies. It’s worth noting that although most companies likely address environmental metrics in the prequalification review, this conversation remained limited to a discussion of safety metrics alone.

During the resulting discussion, respondents described the value of third-party service providers, which included adding capacity, standardizing the prequalification process and providing access to benchmarking data.

Safety performance metrics are the backbone of the prequalification process, among responding companies

Genentech Inc. is a biotechnology company that discovers, develops, manufactures and commercializes medicines to treat patients with serious or life-threatening medical conditions. As a subsidiary of the U.S. pharmaceutical company Roche Holding AG, the company adheres to both corporate guidelines as well as requirements developed for its headquarters in South San Francisco (SSF). This location employs about 20,000 people, including 14,000 full-time staff and thousands of contractors.

While Genentech’s overall contractor safety program is advanced, there are aspects that are more strategic and still others that might not be as mature. To ensure consistency across operations, Genentech uses the Roche corporate framework for safety, security, health and environmental protection, as well as a contractor SHE management program requirement at the corporate level. The following is a breakdown of the aspects of Genentech’s SSF contractor safety framework:

- Prequalification
- Risk assessments
- Induction and training
- Incident and metric monitoring
- Ongoing monitoring

Program Spotlight: Genentech Inc.’s Contractor Safety Framework

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- Risk assessments
- Induction and training
- Incident and metric monitoring
- Ongoing monitoring

Summary of Insights
At a more advanced level, companies may be conducting a risk assessment based on the project requirements or specific job type.

**Figure 3:**

### Common Criteria for Contractor Vetting

- 45% Use of a third-party vendor
- 45% Review EHS policies and procedures
- 35% Review their TRIR
- 23% Require a job hazard assessment for all contracted work
- 10% Use a risk assessment tool

Source: NAEM’s Contractor Safety Survey  
N=40

### Program Spotlight: Vetting Contractors Using a Risk Matrix

At Genentech’s SSF headquarters, the EHS team uses a risk matrix to establish which contractors should go through a more extensive prequalification screening. Level one contractors are those performing medium-to-high risk activities such as confined space entry, energized electrical work, lockout-tagout, the use of class three and four lasers, or working at heights greater than six feet. These types of contractors may require a work permit and are typically building maintenance, members of the construction trades, or those doing chemical handling.

All “level one” contractors go through a rigorous prequalification process, conducted by a third-party. All contractors are required to provide their annual TRIR as well as a DART rate during the prequalification process. If those rates are above the Bureau of Labor Statistics averages, they lose points. If they report fatalities, they automatically fail. If they receive a passing grade, they are then asked to perform some level of risk assessment for the work they are being asked to do. Construction projects, for example, require safety plans, job hazard analyses, pre-task plans and safe work permits. Per Genentech’s corporate requirements, this prequalification also includes subcontractors; this prevents contractors from outsourcing the risk.
Those that are doing work that has a lower probability of property damage, injury, environmental, or reputational damage, are considered level two contractors. This group of contractors includes consultants who are doing primarily administrative work, perhaps those doing sampling in the field, or it could be food service, childcare or security services. These contractors are still required to go through the company's induction training and to report incidents and metrics reporting, but are exempt from prequalification.

**Figure 4:**

**Genentech SSF’s Risk Matrix for Contractors**

<table>
<thead>
<tr>
<th>Risk: Medium-High (Level 1)</th>
<th>Risk: Low (Level 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Criteria</strong></td>
<td></td>
</tr>
<tr>
<td>• High risk of causing:</td>
<td>• Low risk of causing:</td>
</tr>
<tr>
<td>• Property damage</td>
<td>• Property damage</td>
</tr>
<tr>
<td>• Injury</td>
<td>• Injury</td>
</tr>
<tr>
<td>• Environmental damage</td>
<td>• Environmental damage</td>
</tr>
<tr>
<td>• Reputational damage</td>
<td>• Reputational damage</td>
</tr>
<tr>
<td>• Performing tasks that require a work permit</td>
<td></td>
</tr>
<tr>
<td>• Lockout/Tagout</td>
<td></td>
</tr>
<tr>
<td>• Class 3B/4 lasers</td>
<td></td>
</tr>
<tr>
<td>• Working at heights (&gt;6 ft)</td>
<td></td>
</tr>
<tr>
<td><strong>Examples of Contracted Work</strong></td>
<td></td>
</tr>
<tr>
<td>• Building maintenance</td>
<td>• Consultants</td>
</tr>
<tr>
<td>• Construction</td>
<td>• Food service</td>
</tr>
<tr>
<td>• Chemical handling</td>
<td>• Security</td>
</tr>
<tr>
<td><strong>Program Requirements</strong></td>
<td></td>
</tr>
<tr>
<td>• Prequalification</td>
<td>• Induction &amp; Training</td>
</tr>
<tr>
<td>• Induction &amp; Training</td>
<td>• Incident &amp; Metrics Reporting</td>
</tr>
<tr>
<td>• Risk Assessments</td>
<td></td>
</tr>
<tr>
<td>• Inspections</td>
<td></td>
</tr>
<tr>
<td>• Incident &amp; Metrics Reporting</td>
<td></td>
</tr>
</tbody>
</table>

Source: Genentech SSF
Client-led training is a key strategy for companies to communicate their safety expectations to contractors

Safety training is one of the most impactful tools companies have for sharing their safety culture with contracted workers, according to the survey results. While the exact onboarding or induction process likely varies based on the project requirements, survey respondents said they: train contractors in their processes, ask contracted companies to adhere to their safety handbook and ask contracted companies to train to their standards.

Figure 5:

How Companies Share Their Safety Requirements

- Train contractors in their processes
- Process depends on the type of contractor
- Give contractors an employee handbook with safety policies
- Require contractors to train to their requirements

Source: NAEM’s Contractor Safety Survey

Fall Protection

One area that audience members identified as a particular challenge was fall protection for truck drivers. In the words of one attendee: “They end up on top of their chemical delivery trailer without any kind of fall protection.” According to Veriforce’s Marcus Pettus, one of the basic solutions is to evaluate the contractor’s safety programs to ensure that they have protocols that address that aspect of worker safety. Sometimes, he said, the drivers themselves are independent operators, which adds another layer of complexity to addressing the problem. If the driver is directly employed by the delivery company, Mr. Pettus recommends looking at the company’s policies to evaluate whether they have the correct expectations in place, and then introducing spot checks to make sure that those policies are being followed in the field.
Building safety requirements into contracts strengthens accountability and demonstrates organizational commitment to safety culture

Contracts are another important tool that companies such as Genentech use to clearly establish expectations regarding safety performance. For the SSF headquarters, the company puts both regulatory and corporate requirements directly into legal contract language. The corporate requirements are communicated via the criteria of the third-party prequalification screening as well as the distribution of the company’s employee handbook.

Figure 6:

Key Components of Genentech SSF Contracts

- Compliance with local, state and federal EHS regulations
- Passing score with third-party prequalification provider
- Compliance with company requirements outlined in the EHS Contractor handbook

Source: Genentech SSF
Because training is such a critical component of contractor safety management, Genentech pays particularly close attention to the onboarding, or “induction” process. Regardless of the level of risk, all contractors go through a detailed training on the company’s emergency procedures, work permits and site requirements. The company also distributes its EHS contractor handbook, which requires a signature of acknowledgement. Once they’ve completed the program, they receive their badges to start performing work. To improve access to its training program, the company plans to introduce an e-learning option as well as a digitized version of its handbook.

Figure 7:

Genentech SSF’s Standard Induction Process

1. EHS training video summarizes safety procedures
2. Contractors receive and acknowledge handbook
3. Contracted workers receive their badges

Source: Genentech
Responding companies actively demonstrate their commitment to safety through on-site monitoring and audits during the project period

The most common approaches for ongoing monitoring among responding companies are on-site inspections (49%) and regular audits, conducted by both the client host (26%) or the contracted company (23%). More than a quarter of respondents (28%) are conducting weekly walk-throughs of contractor sites. The corporate requirements are communicated via the criteria of the third-party prequalification screening as well as the distribution of the company’s employee handbook.

Figure 8:

Ongoing Monitoring of Contractor Safety

- 49% conduct periodic inspections during the contract term
- 28% do weekly walk-throughs
- 26% conduct annual audits
- 23% require the contractor to conduct regular audits

Source: NAEM’s Contractor Safety Survey

During the small group discussions, respondents exchanged the training strategies that they used to prepare contractors to perform their work safely. One attendee described a collaborative effort by members of a single industry to build capacity among contractors.

“We partnered up with a local community college, and developed, basically, a qualification course for contractors. So, the burden of that, that individual person-to-person initial training, didn't fall on the site. We've kind of outsourced that, and it's really been a big hit. We've got consistency now, so it doesn't matter if you're a high-risk contractor, or a low-risk contractor, in our industry in Florida, you're getting that same level. It's a full-day course with a test for competency at the end, and then they get issued a card that they put in their wallet. And that's their evidence that they've had that minimum level of training. There's other layers that happen that are site-specific to the activities at the location, but the partnership with the local community college has been a big, big hit for us.”
Program Spotlight:
Metrics are strengthening ongoing contractor safety management at Genentech SSF

One of the newest tools for advancing contractor safety management is the use of key performance indicators. At Genentech, the company’s third-party software provider offers a digital dashboard that features the corporate lost time rate, presented in terms of both total number of cases, as well as the normalized rate over work-hours. This analysis has helped EHS leaders decrease the serious incident rate over time.

The company also has dashboard indicators for recordable rates. Every quarter, the department directors meet to review performance, which includes incident rates. When incidents occur, the director is accountable for reporting on them and explaining the root causes as well as the corrective actions.

Among responding companies, EHS is not always a part of the post-project evaluation process

While much of the emphasis for contractor safety tends to be on prequalification and monitoring, a distinguishing characteristic for those with more advanced programs is the integration of EHS into post-project evaluation and close-out conversations.

At one responding company, for example, the EHS team conducts a post-project evaluation upon the completion of all contracted work. Since the company uses the same general contractors for more than one project, they can evaluate their performance on an annual basis and collaborate with them on subcontractor management, among other issues.
At another company, EHS evaluates contractor performance every six months. The results of that review feed into a multiplier, so that when the contracts come out for rebid, the contractor is eligible for a 5% increase or decrease in business based on their EHS performance scores.

And since contractors are often managed via supply chain organizations, one responding company has integrated EHS into the contractor criteria and performance metrics for its supply chain team.

**Figure 9:**

The Role of the EHS Function in Post-Project Reviews

Q: Does your company include EHS in its post-project performance review?

- **31%** Yes
- **25%** It Depends
- **44%** No

Source: NAEM’s Contractor Safety Survey

N=36
Acknowledgements

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